GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2468
ANSWERED ON:30.08.2007
SUBSIDY NORMS FOR CRUDE OIL
Badiga Shri Ramakrishna

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of subsidy norms with regard to crude oil in the country;

(b) whether Oil and Natural Gas Corporation (ONGC) sought to review the subsidy norms;

(c) if so, the details and the reasons therefor; and

(d) the details of companies which are sharing subsidy discount?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a): Notwithstanding the steep rise in international prices of sensitive petroleum products, Public Sector Oil Marketing Companies (OMCs) have been modulating the price increase in petrol & diesel, besides maintaining the prices of subsidized products like domestic LPG & PDS Kerosene, in consultation with the Government. In consequence, they have suffered heavy under-recoveries on sale of these products. Therefore, Government, in June 2004, elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of these sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies.Accordingly, from 2003-04 onwards, Government introduced the upstream subsidy sharing mechanism which has been continued during 2004-07 and first quarter of 2007-08.

(b)&(c): Yes, Sir. The Oil and Natural Gas Corporation (ONGC) has sought review of the subsidy norms due to adverse impact of rupee appreciation on ONGC revenue & concerns of various stakeholders for working out a suitable mechanism by which ONGC is able to retain a reasonable portion of the increase in crude price for funding its rising costs.

(d): The details of amounts contributed by upstream companies through discounts on crude oil and their distribution amongst oil marketing companies during the first quarter of 2007-08 are as under:

(Rs. Crore)
April-June`07

Upstream oil companies	
ONGC	3649
GAIL	272
OIL	383
Total	4304
Oil marketing companies	
IOC (including IBP)	2440
HPCL	901
BPCL	963
Total	4304